



**Office of the Attorney General
Paul G. Summers**

**Department of Commerce and Insurance
Commissioner Anne Pope**

NEWS RELEASE

Office of the Attorney General
P.O. Box 20207 Nashville, TN 37202-0207

Department of Commerce and Insurance
Division of Consumer Affairs
500 James Robertson Parkway Nashville, TN 37243

**FOR IMMEDIATE RELEASE
Dec. 16, 2002**

**Contact: Leigh Ann Jones
(615) 741-6474**

TENNESSEE FILES SETTLEMENT WITH HOUSEHOLD FINANCE

Tennessee Attorney General Paul G. Summers today announced that Tennessee has formally entered into a settlement with Household International, Inc. A consent judgment was filed in Davidson County Chancery Court.

"Household International, Inc., has been very cooperative with the states and I am pleased we were able to reach a settlement. Under the settlement, Household has agreed to change their lending practices and will pay Tennessee consumers approximately \$6.43 million in restitution for alleged unfair and deceptive lending practices in the subprime lending market. Details on the restitution process, procedures and eligibility will be announced early next year," General Summers said.

Tennessee, along with the 49 other states and the District of Columbia, had alleged Household violated state laws by misrepresenting loan terms and failure to disclose material information to borrowers. The nationwide investigation primarily focused on real estate-secured loans. Consumers complained that Household charged far higher interest rates than promised, charged costly pre-payment penalties, deceived consumers about insurance policies and left some consumers trapped in costly loans.

In addition to restitution, Household agreed to:

Limit pre-payment penalties on current and future home loans to only the first two years.

Ensure new home loans actually provide a benefit to consumers prior to making the loans.

Limit up-front points and origination fees to 5%.

Reform and improve disclosures to consumers.

Eliminate "piggyback" second mortgages.

Each state will design its own consumer-restitution plan since some of the lending practices varied significantly from state to state. Consumers that are impacted by the settlement announced today need to be patient and do not need, at this time, to contact this office or the Department of Financial Institutions. A settlement administrator will be selected shortly and information on restitution terms and procedures will be sent to eligible consumers in the next few months.

Each state's share of the restitution fund will be proportional to the state's percentage share of Household's total U.S. real estate loan secured dollar volume. State financial officials said the settlement, which was reached in principle and announced Oct. 11, will not be affected by the acquisition of Household Finance by HSBC, the giant banking and financial services company headquartered in London. The States' settlement with Household is binding on any successor company that might acquire Household.

The tentative settlement was announced October 11, but the settlement and restitution amount were contingent on settlement by today with states representing at least 80% of the dollar volume of Household's real estate-secured loans.

Household International, Inc. is a Delaware corporation.